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Canary

MONARCH INVESTMENTS LIMITED



INTERIM REPORT TO SHAREHOLDERS FOR SIX MONTHS ENDED JUNE 30, 1976

will continue to serve your company well in his new responsibilities.

Toronto, Ontario
March 1977

R. H. Wyke
Chairman

Chartwell Shopping Centre, Agincourt

In accordance with our projections, the shopping centre has continued to show an increased sales pattern and is fully leased. We anticipate that there will be some fall off in volume as a result of additional competition in the vicinity in 1977.

MONARCH INVESTMENTS LIMITED,
HERON'S HILL,
2025 SHEPPARD AVENUE EAST,
WILLOWDALE, ONTARIO,
M2J 1V7
491-7440 AREA CODE 416

TO OUR SHAREHOLDERS:

The results for the half year ended June 30th 1976 indicate a slight decrease in profits before tax from \$2,024,000 to \$1,923,000 and in profits after tax from \$1,012,000 to \$972,000. Similarly, gross operating revenue shows a decrease from \$10,771,000 to \$10,650,000.

Housing

As a generalization, house sales are slow and the market does not demonstrate the buoyancy which it had in 1975. This is not surprising bearing in mind the number of Government assisted housing programs available last year which have been discontinued, the rise in interest rates to their present unbearable level and the psychological effect of the Government's Anti-Inflation Program.

Rental Properties

Our vacancies are low in all our rental properties, although office vacancies are a little higher than normal. Shopping Centre sales have held up remarkably well in spite of the absence of any real growth in the economy. There are no vacancies at our shopping centres and the sales at our hotel in Hamilton are slightly down from last year.

Industrial

The industrial market is going through one of its quietest periods in years. We currently have no new work under construction in this Division, although all our existing properties are fully leased to good quality tenants. In the last month we have had more enquiries on industrial work than for a considerable period of time and we are hoping to get underway soon on new projects. The Industrial Division Team is profitably employed in other sectors of our business while ready for the eventual turnaround in the market.

General

The industry is going through a difficult period which is complicated by the Anti-Inflation Regulations. Our senior executives have played a major role in representing the industry in numerous presentations and meetings with the Anti-Inflation Board and Members of the Cabinet but we still do not know the full extent of the Regulations and their impact on the Corporation.

After the end of the half year under review the Company obtained \$3,000,000 in medium term financing at a favourable rate of interest, which will be used for general corporate purposes. This has enabled us to reduce our bank overdraft to a negligible amount and gives us a good base for future operations.

The balance of the year is unclear and we suspect that unless there is a general reduction in interest rates and a rise in the level of economic activity, the second half will be a repeat of the first half of 1976.

R. A. WYKES
President.

August 19, 1976.

To our Shareholders

MONARCH INVESTMENTS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS SIX MONTHS ENDED JUNE 30, 1976 (WITH COMPARATIVE FIGURES FOR 1975)

UNAUDITED

	1976 (\$ 000's)	1975 (\$ 000's)
Operating revenue	\$ 10,650	\$ 10,771
Earnings before the undernoted items: \$	3,018	2,983
Interest	879	750
Depreciation	216	209
Earnings before income taxes and minority interest ..	1,923	2,024
Income taxes	923	1,000
Earnings before minority interest	1,000	1,024
Minority interest	28	12
Earnings	\$ 972	\$ 1,012
Share	46¢	48¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

SIX MONTHS ENDED JUNE 30, 1976
(WITH COMPARATIVE FIGURES FOR 1975)

UNAUDITED

DS PROVIDED:

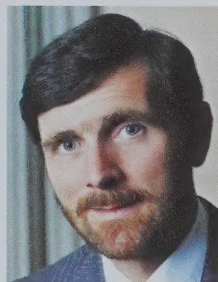
Operations:		
Net earnings	\$ 972	\$ 1,012
Add (deduct) items not affecting funds:		
Depreciation	216	209
Deferred profit on uncollected land sales ..	—	(243)
Minority interest in earnings of subsidiary ..	28	21
Profit on sale of investment properties	—	(281)
Funds provided from operations	\$ 1,216	\$ 718
Collection of mortgages receivable	46	386
Proceeds on sale of investment properties	—	501
Proceeds from undeveloped land	114	—
Funds provided	\$ 1,376	\$ 1,605

DS USED:

Payments of long term debt	\$ 981	\$ 1,221
Expenditure on investment properties	42	690
Dividends paid	106	106
Financing costs on undeveloped land (net) ..	406	1,048
Funds financed by mortgages	67	—
Funds used	\$ 1,602	\$ 3,065
Change in funds	\$ 226	\$ 1,460

Note: 1975 comparative figures have been restated to conform with 1976 presentation.

President's Report



We are pleased to present to you the annual results for the year ended December 31, 1976, with audited financial statements reported on by Peat, Marwick, Mitchell & Co. These include a Consolidated Balance Sheet, Consolidated Statement of Earnings and Retained Earnings and Consolidated Statement of Changes in Financial Position.

Financial Statements

The earnings for 1976 before depreciation and income tax amounts to \$5,039,000. The corresponding figure for 1975 was \$5,722,000. After depreciation, interest on mortgages, bonds etc., the corresponding figures of earnings before taxes are \$4,604,000 and \$5,310,000. The net earnings for the year after taxes and minority interest amount to \$2,501,000 as compared with \$2,812,000 in 1975.

The principal reason for the reduced earnings has been the fall-off in house sales as a result of a number of factors, particularly high mortgage rates. Other reasons included buyer uncertainty, the effects of the Anti-Inflation Program, Rent Control, the discontinuance in the growth of prices in the used house market and, in the Toronto area, an excessive supply of lower priced units. The early months of 1977 have shown a higher level of activity with the large fall in interest rates being a prime factor. House sales have been most encouraging as a result of the increased traffic in most of our subdivisions.

RENTAL PROJECTS

Eglinton Square Shopping Centre, Scarborough

The shopping centre has continued to be an excellent investment, although growth in sales has been affected by a somewhat tighter retail market overall. During the year a number of major leases in the centre were renegotiated at increased base rentals. Additional multi-family developments in the vicinity, which commenced in mid-1976, should strengthen the future sales position.

Kipling Heights Shopping Centre, Etobicoke

This shopping centre is completely leased and is beginning to show an improved rate of growth after the very substantial renovations which were undertaken in 1975. We anticipate that there will be other changes in tenant mix in the years ahead.

Chartwell Shopping Centre, Agincourt

In accordance with our projections, the shopping centre has continued to show an increased sales pattern and is fully leased. We anticipate that there will be some fall off in volume as a result of additional competition in the vicinity in 1977.

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To our Shareholders

Chairman's Report



I have commented in previous Annual Reports on the adverse effects on Industry of Government intervention and involvement. Unhappily this situation has not improved and in the year under review, this interference was more marked than ever. It was a very difficult year for our country and our Industry, with the effects becoming

worse as the year went by to the extent that in the last quarter the market for our products virtually dried up.

As a result of the Anti-Inflation Program, consumer confidence was at a very low level and there have been many other side effects of this measure.

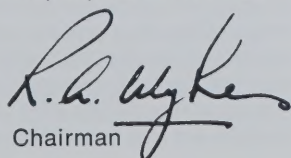
We are most concerned by the events in Quebec and we only hope that the majority of Quebecois, who we believe do not want to separate, will express themselves very strongly in favour of Federalism at the right time.

We are pleased to see interest rates easing. This should help us in many ways. We have never regarded high interest rates as a suitable tool to curb inflation. We believe they have exactly the reverse effect, certainly as far as our industry is concerned.

On the more local scene we still have Rent Review and no announcement has been made as to what will replace it when the program expires this year. The threat of Rent Control was allowed to hang over the Industry for a long while before it was finally introduced. As a result, the building of rental accommodation virtually ceased in Ontario and we now need strong positive action to encourage private enterprise to re-enter the market.

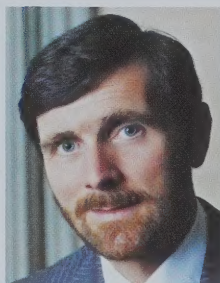
Your Officers work hard through the Urban Development Institute and the Housing and Urban Development Association of Canada to try to minimise the effects of Government interference and while we hope to do better, we believe our efforts have been of some benefit. It is a continuous battle. During this year, your Board have honoured me with an invitation to accept the appointment of Chairman of the Board and it gave me great pleasure to accept this position.

It was an appropriate time therefore, for me to hand over the Presidency of the company to my friend and colleague, Colin Parsons, who has been Executive Vice-President for several years and who, I know, will continue to serve your company well in his new responsibilities.


Chairman

Toronto, Ontario
March 1977

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42-48 Charles Street East, Toronto

We have been able to reduce the volume of vacant space in this building to a very low level, in spite of the continuation of a high vacancy rate in the mid-town area of Toronto.

Heron's Hill, Willowdale

The existing office building is fully leased, apart from one small area. Due to the substantial vacancy rate that exists in the vicinity, which is compounded by increasing traffic flow problems, we have not commenced the next Phase of this project.

Apartments

The apartments have continued to be a good investment. The vacancy rate in Metropolitan Toronto is low, primarily due to the absence of new construction because of Rent Control and this has enabled us to continue operating with a very low vacancy rate. Currently we are examining the feasibility of re-developing the Trethewey Avenue apartment site.

Terminal Towers, Hamilton

Although it has suffered a slightly increased level of vacancies in the office tower and the retail section, the apartments are fully occupied and, contrary to the general condition in the industry, the hotel has shown increased sales during the year. We have undertaken a number of improvements during the year to the building to maintain its standards.

HOUSING PROJECTS**Scarborough, Ontario**

In common with most other areas in the Province, house sales suffered during the year by increasing

buyer resistance at all price levels, and this caused us to review our marketing methods, particularly in some of our more traditional housing divisions.

The Chartwell Homes Division produced more town housing and semi-detached homes due to an unavailability of single family lots in the current section of the sub-division. More single lots will be available for the coming building season.

The Heron's Hill Homes Division, which has characterised itself with modern, innovative architecture, had an excellent first full year of operation and went a long way towards meeting a section of the market for which we had not previously been competing.

The Condominium Division suffered from high rates of mortgage finance during the early months of the year but has recovered to sell out the balance of its Cloverfields development of fashionable town houses in Chartwell. It is proposing to commence a further condominium project in the Spring, in the same area.

Dundas, Ontario

This exclusive single family development was completed during the year and we are hopeful that we will be able to commence the next phase of Spring Creek Valley at the end of 1977. We anticipate the houses in this phase will be more moderately priced, due to lot characteristics.

Unionville, Ontario

Our land is in the Town of Markham which is currently processing its Secondary Plan concurrently with consideration of our Draft Plan. We hope to receive permission to proceed with the first phase of approximately 400 lots in late 1977 with the balance of 1,200 units following at a later stage. Our intention for this strategic location is to produce good quality homes in a semi-rural environment catering to a discerning public, thus complimenting the existing heritage of the Town of Unionville.

Kitchener/Waterloo, Ontario

The Waterloo development of luxury homes has continued during the year, but at a slower rate of progress. Another phase of the development has been registered for commencement in 1978.

The processing of our Highland West subdivision has been delayed during the year due to problems concerning a possible change in the long agreed and established alignment of Fischer Road, a major road which abuts our property. We anticipate that these difficulties will be overcome in the near future, which will enable us to proceed with the development of the first phase of approximately 400 lots commencing in late 1977. This phase will be hand-somely set in a heavily wooded area in which we are



An informal group of Toronto staff at the Head Office at Heron's Hill



The entrance to the 64,000 sq. ft. plant and Head Office of Hammond International Canada Limited at Chartwell Industrial Park provides a pleasant working environment for everyone

endeavouring to preserve the natural beauty of the watercourse and a substantial number of mature hardwood trees.

We have continued to process our Plan on the Doon property and have so far not met any major setbacks. Our preliminary plans have met with a good degree of acceptance by both local residents and Municipal authorities. We are not yet able to determine when the lands will come to market.

St. Catharines, Ontario

Planning is proceeding on this land but we believe it will not come to market until 1979. The Regional Official Plan has been delayed pending joint decisions by the Province, the Region and the Municipality on the limit of future urban growth and the designation of certain lands as Tender Fruit Lands. Recent pronouncements indicate that our lands will not be excluded from development, but meanwhile all planning processes have been delayed.

Burlington, Ontario

Our lands are located on the east side of the City close to the Queen Elizabeth Highway and are in an area designated for development in the Official Plan of the Municipality. Although our relationship with the Municipality is excellent, we are still unable to make any significant progress with the processing of the residential development. In spite of our lands being close to existing residential sub-divisions, we are unable to project a date for the commencement of construction.

London, Ontario

Sales in Westminster Park this year were rather slow due to an oversupply of housing in competing price ranges. The market has improved of late and we are working on a new line of models for mid-1977. Our present line of housing covers a wide range from semi-detached homes at \$39,000 to larger single family homes at over \$60,000.

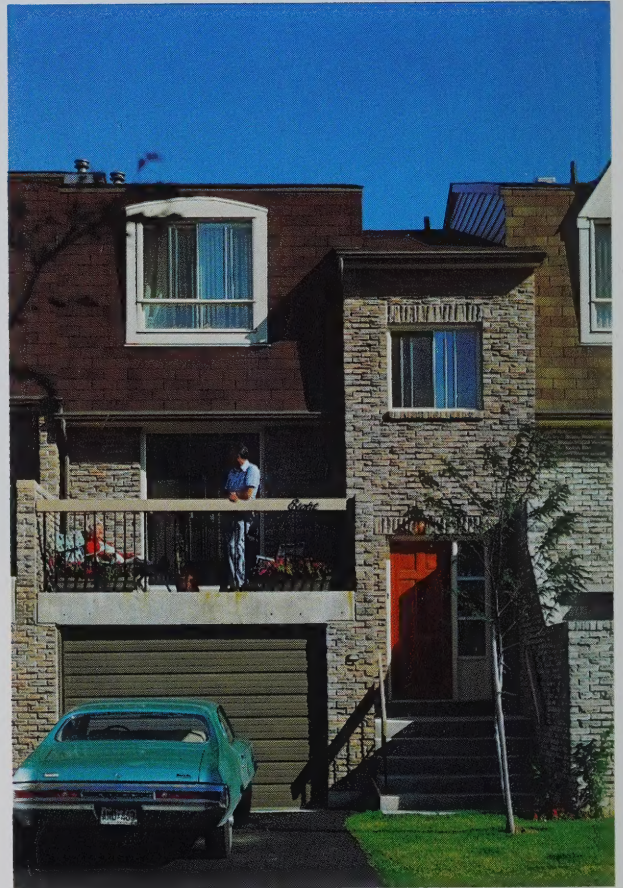
The planning of the Maylard Estates project on Huron Street continues with construction now estimated to commence in 1979. This will be a moderately priced subdivision in a good in-town location.

Our Oakridge Meadows development on Oxford Street in North West London should come on stream in early 1978. It is well located and will be an excellent site of good quality, higher priced housing for the London market.

Montreal, Quebec

The Beacon West sub-division, which is adjacent to the Beaconsfield Golf Course, opened in the Fall of last year and has had disappointing results to date. Undoubtedly the Industry has been adversely effected by the election results in the Province. There are many houses for sale on the West End of the Island, both in the re-sale and the new home market. We have limited the amount of stock we are building in this sub-division pending further clarification of the position. We feel that the uncertain Quebec political situation will restrict sales but as less than 2% of our assets are in the Province, our

Some of Monarch's many housing styles



exposure is not large in relation to the company's overall activities.

The Sherwood Park development was completed during the year.

The project in Vaudreuil, abutting the Lake of Two Mountains, which is planned for in excess of 3,000 units, is now underway and we anticipate opening our models in the Spring. We are aiming at a moderately priced market with a pronounced French-Canadian flavour. This is a well located sub-division close to both rail and major road transportation. It also has the advantage of being just outside of the Montreal Urban Community with its relatively high level of taxes. With present day costs we are anticipating marketing most of the houses in the first phase of this sub-division at below \$33,500, which is the present maximum level under the Federal Assisted Home Ownership Plan.

Sarasota, Florida

During the year, we acquired a number of lots in the superbly planned estate of The Meadows, Sarasota. The models we are currently building range in price from \$55,000 to \$75,000, some of which overlook the golf course. The project, which is being developed by Taylor Woodrow Homes Limited, is in a very desirable part of the West coast of Florida and features extensive recreational facilities. The housing market in the U.S. has improved substantially in the last year and we are using this development as a means of getting experience in the U.S. market.



INDUSTRIAL DEVELOPMENT

Industrial development has been at a relatively low level of activity throughout the Province, but all of our rental projects are fully leased and financed at competitive rates of interest. In the past we have had considerable success negotiating with the subsidiaries of U.S. Corporations and we are therefore hopeful that the continued improvement in the U.S. economy will increase the level of industrial activity in the Province.

In Burlington, Ontario, we are making considerable progress with the planning of our industrial park and anticipate that this should be serviceable in the Fall of 1977. The plan of sub-division is now approaching completion.

Our Clarkeside Road Industrial Park in London is now in a mature state for development to get underway and we are currently negotiating sub-division requirements with the Municipality.

The Chartwell Industrial Park has had a quiet year, although we have discussions underway with a number of prospective tenants.

GENERAL

The year was a year of adjustment for both the company and the industry at large. The rapid price escalation of land and housing in recent years ceased and with it, the expectation of every house purchaser that a quick capital gain was readily available. Our houses will be marketed in future in a more competitive environment and we have taken steps during the year to organize ourselves accordingly. The increased complexities of land development have also made new demands on us and accordingly we have appointed a Manager of Land Development and a Manager of Marketing.

The company is anticipating expansion of its house building operations over the years ahead and accordingly, we are actively looking for new land in Ontario, Western Canada and the United States.

The sincere thanks of the Board of Directors and myself is due to all Members of the Team for their excellent efforts during the year. We also have to thank our Bankers, Professional Associates, Suppliers and Sub-contractors for having provided good service to us once again.

Toronto, Ontario
March 1977

President

Monarch Investments Limited

Consolidated Balance Sheet

December 31, 1976
with comparative figures for 1975

Assets

	1976	1975
Cash (including interest bearing deposits with bankers 1976 — \$1,500,000; 1975 — \$1,800,000)	\$ 1,601,000	\$ 2,126,000
Accounts receivable	521,000	559,000
Mortgages receivable (note 2)	843,000	823,000
Inventory of land, development costs and construction in progress (note 3)	41,923,000	38,888,000
Investment properties:		
Buildings and equipment, at cost	23,911,000	23,829,000
Less accumulated depreciation	5,167,000	4,756,000
	18,744,000	19,073,000
Land, at cost	2,069,000	2,048,000
	20,813,000	21,121,000
Other assets	410,000	406,000
	\$66,111,000	\$63,923,000

On behalf of the board:

C. J. PARSONS, Director

J. S. FARQUHARSON, Director

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	1976	1975
Bank indebtedness partially secured by assignment of amounts receivable	\$ 2,262,000	\$ 445,000
Accounts payable and accrued liabilities	3,821,000	5,283,000
Mortgage advances on construction in progress	1,143,000	2,240,000
Income taxes payable	300,000	2,042,000
Long-term debt:		
Mortgages payable (note 4)	27,751,000	25,942,000
Other (note 5)	9,809,000	9,494,000
	37,560,000	35,436,000
Deferred income taxes	1,049,000	866,000
Minority interest	663,000	587,000
Shareholders' equity:		
Capital stock (note 6):		
Common shares without par value.		
Authorized 2,754,180 shares; issued 2,121,230 shares	3,821,000	3,821,000
General reserve	2,000,000	2,000,000
Retained earnings	13,492,000	11,203,000
	19,313,000	17,024,000
Contingent Liabilities (note 7)		
	\$66,111,000	\$63,923,000

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Monarch Investments Limited as at December 31, 1976 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the

financial statements of the partially-owned subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 17, 1977

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Monarch Investments Limited

Consolidated Statement of Earnings and Retained Earnings

Year ended December 31, 1976
with comparative figures for 1975

	1976	1975
Gross operating revenue:		
Land development and construction	\$16,083,000	\$21,065,000
Investment properties	5,885,000	5,228,000
Interest and sundry revenue	198,000	671,000
	22,166,000	26,964,000
Expenses:		
Cost of land and houses	11,165,000	15,670,000
Property operating expenses	2,434,000	2,272,000
Depreciation	435,000	412,000
Interest (note 9)	1,701,000	1,528,000
General and administrative expenses	1,827,000	1,772,000
	17,562,000	21,654,000
Earnings before income taxes and minority interest	4,604,000	5,310,000
Income taxes	2,027,000	2,442,000
Earnings before minority interest	2,577,000	2,868,000
Minority interest in earnings of a subsidiary	76,000	56,000
Net earnings for the year	2,501,000	2,812,000
Retained earnings at beginning of year	11,203,000	8,603,000
	13,704,000	11,415,000
Dividends paid	212,000	212,000
Retained earnings at end of year	\$13,492,000	\$11,203,000
Earnings per share calculated on weighted average number of shares outstanding:		
Basic	\$ 1.18	\$ 1.33
Fully diluted	\$ 1.13	\$ 1.27

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1976
with comparative figures for 1975

	1976	1975
Funds provided:		
From operations:		
Net earnings	\$ 2,501,000	\$ 2,812,000
Add (deduct) items not affecting funds:		
Depreciation	435,000	412,000
Deferred income taxes	183,000	42,000
Deferred profit on uncollected land sale	—	(243,000)
Minority interest in earnings of subsidiary	76,000	56,000
Gain on disposal of investment properties	(54,000)	(332,000)
Funds provided from operations	3,141,000	2,747,000
Increase in mortgage advances	—	1,206,000
Collection of mortgages receivable	80,000	527,000
Long-term borrowings	3,642,000	1,446,000
Proceeds on sale of investment properties	91,000	599,000
Land and development costs realized through sales	2,702,000	3,153,000
Increase in income taxes payable	—	746,000
Increase in accounts payable	—	1,034,000
Net change in other assets and liabilities	53,000	257,000
Total funds provided	9,709,000	11,715,000
Funds used:		
Sales financed by mortgages	100,000	243,000
Repayments of long-term debt	1,518,000	6,446,000
Expenditures on investment properties	183,000	854,000
Investment in land held for and under development	4,330,000	2,595,000
Increase in construction in progress	1,407,000	350,000
Decrease in mortgage advances on construction in progress	1,097,000	—
Decrease in accounts payable	1,462,000	—
Decrease in income taxes payable	1,742,000	—
Dividends paid	212,000	212,000
	12,051,000	10,700,000
Increase (decrease) in funds	\$ (2,342,000)	\$ 1,015,000
Represented by:		
Funds:		
Cash less bank indebtedness		
at beginning of year	\$ 1,681,000	\$ 666,000
at end of year	(661,000)	1,681,000
	\$ (2,342,000)	\$ 1,015,000
Funds provided from operations — per share calculated on weighted average number of shares outstanding	\$ 1.48	\$ 1.30

See accompanying notes to consolidated financial statements.

Monarch Investments Limited

Notes to Consolidated Financial Statements

December 31, 1976

1. Accounting Policies:

The accounting policies of the company conform with accounting principles generally accepted in Canada. Details of significant accounting policies follow:

(a) The accounts of all the Company's subsidiaries have been included and are as follows: Monarch Construction Limited, Montrow Realty Limited, (both wholly-owned) and Monarch Property Developments Limited (partially-owned). All material intercompany balances and transactions have been eliminated upon consolidation. The accounts of a joint venture for land development have been consolidated in the financial statements on a proportionate line by line basis.

(b) The companies recognize income on housing unit sales when title to the completed house passes to the purchaser.

(c) Land, development costs and construction in progress are carried at the lower of cost and estimated realizable value. The companies add to the original cost of undeveloped land carrying charges including realty taxes, professional fees and mortgage interest. Carrying costs are reduced by rentals received on undeveloped land.

(d) Interest, other than that relating to development land, is charged to current operations.

(e) Investment properties are depreciated principally by the sinking fund method using a 5% rate by which the cost of the properties will be amortized over the estimated useful life of 40 years in amounts increasing year by year. Properties carried at an aggregate net book value of approximately \$4,250,000 are depreciated using the straight-line method and at December 31, 1976 have remaining estimated useful lives averaging 16 years.

2. Mortgages Receivable:

Mortgages receivable bear interest at rates ranging from 6¾ % to 12¾ % and are repayable in 1977 — \$47,000; 1978 — \$514,000; 1979 — \$50,000; 1980 — \$149,000; 1981 — \$78,000; 1982 and later \$5,000.

3. Inventory:

Land, development costs and construction in progress comprise the following:

	1976	1975
	(000 omitted)	
Undeveloped land	\$30,613	\$30,507
Land under development, including development costs	6,285	4,763
Construction in progress	5,025	3,618
	<u>\$41,923</u>	<u>\$38,888</u>

4. Mortgages Payable:

Mortgages payable bear interest at rates ranging from 4% to 11½ % and are repayable as follows:

	Investment Properties	Land Held For Development	Total
		(000 omitted)	
1977	\$ 215	\$ 1,301	\$ 1,516
1978	231	2,229	2,460
1979	290	2,872	3,162
1980	268	4,108	4,376
1981	437	604	1,041
1982 and later	8,115	7,081	15,196
	<u>\$ 9,556</u>	<u>\$18,195</u>	<u>\$27,751</u>

5. Other Long-Term Debt:

	1976	1975
	(000 omitted)	
Of the Company:		
First Mortgage Bonds — 6¾ % due \$52,000 annually with balance payable October 1, 1979	\$ 176	\$ 228

Sinking Fund Debentures, Series A — 8% secured on shares of subsidiaries and by a floating charge on all other assets of Company; sinking fund payments of \$125,000 annually required 1978 to 1992 with balance due February 1, 1993

2,389 2,500

Of Subsidiaries:

First Mortgage Bonds — repayable in equal monthly instalments combining principal and interest to 1998:

Interest at 7% **4,836** 4,929

Interest at 8% **1,808** 1,837

Advance by an affiliated company — 6%. No specific terms of repayment except that the creditor has advised the company that repayment of these advances will not be required prior to January 1, 1978

600 —
\$9,809 **\$9,494**

The amount shown above for Sinking Fund Debentures Series A, at December 31, 1976, is net of \$111,000 principal amount of such debentures repurchased and available for application against future sinking fund requirements.

The aggregate scheduled repayments required with respect to the above long-term debt amounts to \$191,000 in 1977; \$327,000 in 1978; \$338,000 in 1979; \$318,000 in 1980; \$310,000 in 1981; \$7,725,000 in 1982 and thereafter.

6. Shares Reserved for Stock Options and Warrants:

(a) At December 31, 1976 options covering 27,200 common shares are outstanding at \$6.48 per share exercisable to 1980.

(b) At December 31, 1976 purchase warrants for 124,600 common shares are outstanding at \$9.00 per share exercisable on or before February 1, 1978.

7. Contingent Liabilities:

The company and certain subsidiaries are contingently liable:

(a) in respect of first mortgages assumed by purchasers of properties sold, and

(b) in respect of joint venture obligations (almost entirely mortgages on land for development) approximating \$1,364,000.

8. Litigation:

An action has been commenced against a subsidiary in which the plaintiff claims approximately \$500,000 for an alleged breach of contract. The subsidiary's position is that there was no breach of contract and, on the advice of legal counsel, the action is being vigorously defended.

9. Interest Expense:

	1976	1975
	(000 omitted)	
On long-term debt	\$3,102	\$3,126
On other debt	102	26
	3,204	3,152
Charged to land held for development	1,503	1,624
	\$1,701	\$1,528

10. Supplementary Information:

The aggregate direct remuneration paid in 1976 to directors and senior officers of the company, as defined by The Business Corporations Act (Ontario), was \$313,000; (1975 — \$272,000).

11. Anti-Inflation Controls:

The companies are subject to the controls on prices, profit margins, compensation, and dividends to shareholders under the Federal Government's Anti-Inflation Program. Rental income of real property is not subject to these controls, however, the companies' residential properties are subject to the Ontario Residential Premises Rent Review Act which imposes restraints on certain rent increases. The companies believe that they have complied with both of these programs.

Chartwell South



The southerly half of the Chartwell development in Scarborough showing the Industrial Park in the foreground with the current phase of residential development at middle right, coming off McCowan Road

Monarch's Energy Conservation Program

Energy conservation is becoming increasingly important and Monarch has applied itself in determining what can be done at reasonable cost for the conservation conscious home purchaser.

The Sherwell semi-detached home has been produced by us for a number of years. During this time it has had applied to it a number of standards of energy saving. Currently we offer this home with the "Red Blanket" options which conserve the maximum of energy. The following table illustrates the B.T.U. heat loss with the same model in different years and indicates what can be done in practice to save energy whilst maintaining the same level of interior comfort.

	1975 Model	1976 Model	Built to 1977 Monarch "Red Blanket" Standards
B.T.U. heat loss per hour	41,000	29,000	19,000

The improvement has been obtained by using some of the following methods as is appropriate and feasible.

1. Increased insulation in walls, ceilings and basements.
2. Tighter construction and sealing to prevent air infiltration.
3. Fresh air feed to furnace and also to fireplace.
4. Internal venting of dryer in winter.
5. Charcoal filter for hood fan instead of external vent.
6. Separate switch for bathroom fans to avoid unnecessary use.
7. Minimise window sizes and orient to the south.
8. Fireplace heatlatoir installation.
9. Improved humidification and installation of electronic air filter.
10. Timed thermostat.
11. Good furnace efficiency and maintenance utilising two speed fan.
12. Deflectors on wall oriented registers.
13. Glass doors on fireplace to supplement damper.
14. Carefully placed wiring to prevent interference with insulation.



Directors and Officers

R. A. Wykes*
Chairman

C. J. Parsons, C.A.*
President

A. K. Leitch, D.F.C.*
Vice-President and Secretary

T. Ralph*

G. E. W. Winship*
Vice-President

R. E. Aldred, F.I.Q.S., F.I.O.B.
Deputy Chairman, Taylor Woodrow Limited

G. Drummond Birks
*President,
Henry Birks & Sons Limited*

J. S. Farquharson, Q.C.
Partner, McMillan, Binch, Solicitors

G. E. Jackson
*Senior Vice-President,
Reed, Shaw, Stenhouse Limited*

D. F. Johnstone
*Vice-President, Property Investments
The Standard Life Assurance Company*

N. J. Notley

Sir Frank Taylor, D.Sc. (Hon), F.I.O.B.
*Managing Director
Taylor Woodrow Limited*

Solicitors

McMillan, Binch
Royal Bank Plaza, Toronto

Auditors

Peat, Marwick, Mitchell & Co.
Commerce Court West, Toronto

Coopers and Lybrand
145 King St. West, Toronto

Bankers

The Toronto-Dominion Bank
King and Bay Streets, Toronto

Bank of Montreal
Market Square Branch, London

Transfer Agents

Canada Permanent Trust Company
*20 Eglinton Avenue West
Toronto, Ontario M4R 2E2
455 Granville Street, Vancouver*

Debenture Trustee

Royal Trust Company
*Royal Trust Tower,
Toronto-Dominion Centre, Toronto*

J. O. Saunders
Vice-President

D. R. Wilson, C.A.
Treasurer

